



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 30, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank In Trinidad
Charter Number 14222**

**100 East Main Street
Trinidad, Colorado 81082**

**Comptroller of the Currency
ADC-Arizona & New Mexico
9633 South 48th Street Suite 265
Phoenix, Arizona 85044**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

This institution is rated Outstanding.

The First National Bank in Trinidad's (FNBT) lending performance in relation to assessment area (AA) credit needs is outstanding. The bank has demonstrated its ability to meet the credit needs of the AA through more than reasonable performance in lending to small businesses and low- and moderate-income (LMI) individuals. The following information further describes the bank's performance under the Community Reinvestment Act (CRA):

- One hundred percent of the loans sampled are inside the bank's AA.
- The distribution of loans sampled reflects an excellent penetration among individuals of different income levels (including LMI borrowers) and businesses of different sizes.
- The geographic distribution of loans sampled reflects an excellent dispersion throughout the AA.
- The bank's record of providing branches, ATMs, and loan production offices enhances credit availability in the AA, including LMI areas.

DESCRIPTION OF INSTITUTION

FNBT is a \$179 million community bank with the main office located in Trinidad, Colorado, Las Animas County. FNBT also has branches in the Trinidad Wal-Mart, and a Huerfano County branch in Walsenburg, Colorado. FNBT has 10 deposit taking ATMs in Trinidad, Walsenburg, and La Veta, Colorado, as well as Raton, New Mexico. FNBT also has a loan production office in Raton, New Mexico. The bank has not closed any branches during the evaluation period, but did open the Wal-Mart branch in 1998.

Republic Corporation, a one-bank holding company organized in Houston, Texas, owns 98% of FNBT. The bank is the holding company's primary asset. There are no other subsidiaries or affiliates.

The bank's primary lending focus is on residential and commercial real estate loans. As of March 31, 2003, the loan portfolio mix in these two categories accounted for 57% and 20%, respectively. Each of the other loan products accounted for less than 10% of the mix. The bank's net loans to total assets ratio is 60%.

There are no financial or legal impediments to the bank's ability to meet the credit needs of the AA. The previous CRA examination dated November 25, 1996, resulted in an Outstanding rating.

Description of Las Animas and Huerfano Counties in Colorado and Colfax County, New Mexico

FNBT designated all of Las Animas and Huerfano Counties in southeastern Colorado and Colfax County in neighboring northeastern New Mexico as its AA. The AA meets the requirements of the regulation, and is in a non-metropolitan statistical area (non-MSA) consisting of 13 contiguous census tracts. The following table itemizes key demographic and economic characteristics of the AA.

Demographic and Economic Characteristics		
HUD adjusted Median Family Income (MFI) for 2002	\$42,215	
Population		
Number of persons	32,699	
Number of families	8,972	
Percentage of low-income families	28%	
Percentage of moderate-income families	21%	
Percentage of middle-income families	20%	
Percentage of upper-income families	31%	
Geographies		
	Number	Percent
Number and Percentage of low-income tracts	1	8%
Number and Percentage of moderate-income tracts	7	54%
Number and Percentage of middle-income tracts	5	38%
Number and Percentage of upper-income tracts	0	0%
Economic Indicators		
Percentage of households below poverty level	23%	
Percentage of owner occupied housing	46%	

Source: U.S. Census Bureau, and Bureau of Labor Statistics

The financial services sector in the AA is competitive. The June 30, 2002, FDIC deposit Market Share Report shows nine financial institutions competed for over \$553 million of insured deposits. This does not include area credit unions. FNBT has the largest share (30%) followed by International Bank at 25%. These two similarly sized institutions (FNBT based in Colorado and International Bank based in New Mexico) account for over half of the local market share between them. Neither institution has offices or deposits outside the AA. The majority of the other competitors are nation-wide or large regional banks with significant presences and access to other loans and deposits outside the local market.

During this examination, we contacted one community leader in the area to discuss economic conditions and credit needs. The contact indicated affordable housing was the predominant credit need in the community.

Major employers in Las Animas County include Burlington Northern/Santa Fe Railroad and Trinidad State Junior College. Oil and gas drilling and related support businesses provide local employment. A new minimum security correctional facility also opened in 2003. Huerfano County houses a larger medium security correctional facility that provides employment in the area. The predominant land use is related to agriculture and ranching. Tourism is a growing

industry. Colfax County also relies heavily on tourism and ranching, especially since closure of area coal mines in 1996. Major employers include the Angel Fire Resort and New Mexico Boys School. Unemployment in Las Animas County has held steady for the last two years at 4.4% and is benchmarked by the Bureau of Labor Statistics for 4.2% through 2002. Huerfano County unemployment is highest of the three counties, at 5.3% in 2000, growing to 5.7% in 2001, and projected to continue climbing at 6.1% through 2002. Colfax County unemployment is between the two, at 5.0% in 2000 and 5.1% in 2001, benchmarked at 5.0% through 2002.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Sample Selection and Conclusion

The evaluation period for this CRA examination was the last five years. An evaluation of the bank's loan originations during the evaluation period showed FNBT's primary product lines to be home refinance loans and small business loans. After identifying primary products, we took a random sample of 20 loans from each primary product, for a total of 40 loans. We used these 40 loans to determine the ratio of loans inside the AA. Additional loans were selected from loans originated in the last two years to evaluate the geographic and borrower distribution of loans. The loan-to-deposit ratio is based on the average of 21 quarterly ratios during the evaluation period. The bank's CRA performance in meeting the credit needs of the community is outstanding, as supported below.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio of 71.07% is reasonable given the bank's size, financial condition, and AA credit needs. It meets the standard for satisfactory performance. Uniform Bank Performance Reports were only available back to first quarter 1998. Therefore, we used the full 21 quarters of available data to make this calculation. As noted in the description of the AA portion of this evaluation, there is only one other similarly situated bank in the AA. Similarly situated banks are those banks of similar size operating in the same geography. As of March 31, 2003, FNBT's 21-quarter average loan-to-deposit ratio is 71.07%. Using the same time period, the International Bank loan-to-deposit ratio is almost the same, at 71.65%.

Lending in Assessment Area

More than a substantial majority of the bank's loans are inside the AA. Using our original sample of 40 loans, we determined that 100% of both the dollar and number of home refinance loans and small business loans were inside the AA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans reflects an excellent penetration among individuals of different income levels and businesses of different sizes. The following tables show this for both home refinance and small business loans.

Home Refinance Loans

Borrower Distribution of Residential Refinance Loans in the Assessment Area

Demographic->	% of AA families	Number of Loans	Percent of Loans	Dollar Volume (\$000)	Percent of Volume
Low-Income	17%	5	25%*	120	10%
Moderate-Income	14%	5	25%*	295	25%*
Middle-Income	20%	8	40%	588	49%
Upper-Income	49%	2	10%	185	16%
Total	100%	20	100%	1188	100%

Source: U.S. Census Bureau and Loan Sample

*Note the **bold-type** in the table above. FNBT's lending performance exceeds the percentage of families in the AA demographics to LMI borrowers, in both the percent of number and percent of dollar amount under three out of four criteria. The bank's performance does not exceed the demographic for low-income borrowers in the percent of dollar amount for low-income. However, this can be explained because of the high percentage (23%) of households living below the poverty level in the bank's AA, and by the fact that low-income borrowers will generally qualify for a lower dollar amount of loan.

As noted above, the community contact we made indicated that affordable housing was the predominant credit need in the community. This table shows that the bank is doing an excellent job in helping to meet those needs for affordable housing. Review of the loan terms and properties in the bank's files also show that the bank's commitment on meeting this type of credit need is strong. Once the bank makes them, they must remain in the bank's own portfolio. This is because either the terms, or the property condition, do not conform to secondary market criteria, making the loans ineligible for sale.

Business Loans

Borrower Distribution of Loans to Small Businesses in the Assessment Area					
Demographic->	% of AA businesses	Number of Loans	Percent of Loans	Dollar Volume (\$000)	Percent of Volume
Revenue size:					
<=\$1 million	72%	19	95%*	1066	99%*
>\$1 million	3%	1	5%	10	1%
with revenues not reported	25%	0	0%	0	0%
Total	100%	20	100%	1076	100%

Source: Dunn & Bradstreet and Loan Sample

*Note the **bold-type** in the table above. FNBT's lending performance exceeds the percentage of businesses in the AA with revenues of less than or equal to \$1 million, in both the percent of number and percent of dollar amount.

Geographic Distribution of Loans

The geographic distribution of loans reflects an excellent dispersion throughout the AA. The tables below show this for both home refinance and small business loans.

Home Refinance Loans

Geographic Distribution of Residential Refinance Loans					
Demographic-> Tracts:	% of Owner Occupied Homes	Number of Loans	Percent of Loans	Dollar Volume (\$000)	Percent of Volume
Low-Income	1%	0	0%	0	0%
Moderate- Income	51%	16	80%*	948	80%*
Middle-Income	48%	4	20%	240	20%
Upper-Income	0%	0	0%	0	0%
Total	100%	20	100%	1188	100%

Source: U.S. Census Bureau and Loan Sample

*Note the **bold-type** in the table above. FNBT’s lending performance exceeds the percentage of owner occupied homes in the AA, in both the percent of number and percent of dollar amount for moderate-income tracts. Although this is not the case for the single low-income tract in the AA, there is limited opportunity for the bank to make this type of loan. Only 1% of owner occupied homes are in the low-income tract.

Business Loans

Geographic Distribution of Business Loans					
Demographic-> Tracts:	% of Businesses in Each Tract Category	Number of Loans	Percent of Loans	Dollar Volume (\$000)	Percent of Volume
Low-Income	1%	0	0%	0	0%
Moderate- Income	53%	16	80%*	673	61%*
Middle-Income	46%	4	20%	423	39%
Upper-Income	0%	0	0%	0	0%
Total	100%	20	100%	1096	100%

Source: Dunn & Bradstreet and Loan Sample

*Note the **bold-type** in the table above. FNBT’s lending performance exceeds the percentage of businesses in each tract category in the AA, in both the percent of number and percent of dollar amount for moderate-income tracts. Although this is not the case for the single low-income tract in the AA, there is limited opportunity for the bank to make this type of loan. Only 1% of businesses are in the low-income tract.

Qualified Services

The bank’s record of providing branches, ATMs, and a loan production office (LPO) enhances

credit availability in the AA, including LMI areas. The bank has 10 deposit-taking ATMs, seven of which are in moderate-income areas. This provides banking services to many LMI individuals over a widely dispersed, sparsely populated geographic area. The bank also has a LPO in New Mexico. Although the area is designated middle-income, this service has provided access to credit for LMI individuals and small businesses in the area. There were several such loans in the sample we used for this evaluation.

Responses to Complaints

FNBT has not received any complaints about its performance in helping to meet AA needs during this evaluation period.

Fair Lending Review

An analysis of the last five years of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.